

**Testimony of the U S Rice Producers Association  
and the U.S. Rice Producers' Group**

**By**

**Nolen Canon**

**Before**

**The Committee on Agriculture  
U.S. House of Representatives**

**July 18, 2001**

**Introduction**

Mr. Chairman and members of the Committee, my name is Nolen Canon. I am a rice and soybean farmer from Tunica, Mississippi. I also currently serve as Chairman of the US Rice Producers Association. I am accompanied today by Mr. John Denison, a rice, soybean and cattle producer from Iowa, Louisiana. John is the Chairman of the Rice Foundation, and the immediate past Chairman of the USA Rice Federation.

I am pleased to appear before the Committee today on behalf of the Rice Producers Association and the U.S. Rice Producers' Group, a charter member of the USA Rice Federation. Together, these two organizations represent virtually all of the nation's rice producers. My testimony represents the initial consensus position of these two organizations with respect to the Committee on Agriculture's Draft Farm Bill Concept Paper released on Thursday, July 13. Due to the very brief time that rice producers have had to review and analyze the Concept Paper, these comments must of course be considered preliminary, subject to the availability of information detailing the effects of this proposal on the nation's rice producers, rice millers, and the entire rice industry.

Before commenting on some of the specifics of the Concept Paper, let me begin by saying that the general reaction of rice producers to the Concept Paper has been positive. It appears that the Committee and its staff has done an admirable job of making the best of the limited budget resources available to it to craft a serious farm bill proposal consistent with many of the principles we articulated before the Committee in our testimony this March. Principal among these, the Concept Paper envisions maintaining producer planting and marketing flexibility while establishing a new counter-cyclical assistance program.

**Program Crops**

**Acreage Update**

Rice producers support the option for producers, on an individual basis, to update their base acres to reflect recent plantings, provided that they are not required to do so. Some producers have raised concerns about the budgetary costs associated with such an acreage update, but as part of an acceptable, comprehensive package, rice producers are generally supportive of the proposed acreage update.

**Payment yields**

Rice Producers are comfortable with the Concept Paper's proposal to use the current AMTA payment yields for both the fixed decoupled payment and the counter-cyclical payment.

### **Fixed Decoupled Payments**

The proposal to continue some form of fixed decoupled payments in the new farm bill is consistent with the position that rice producers presented to the Committee in March. We proposed at that time and continue to support the provision of fixed decoupled payments at the rate of \$2.56 per hundredweight for rice, as opposed to the proposed \$2.04 per hundredweight rate proposed in the Concept Paper. The \$2.56 per hundredweight rate represents the average of the PFC payment rates for rice over the seven-year life of the current farm bill.

In addition, we are disappointed that the payment limits for these payments were maintained at the \$40,000 level. As we testified in March, these arbitrarily set payment limits only serve to limit income assistance and reduce the effectiveness of the program. Eliminating or substantially increasing these payment limits will allow producers to more fully utilize income and marketing assistance programs, and help to address the cost/price squeeze that all farmers are facing, regardless of the size of their operations. If left unchanged, these limits will be 16 years old at the end of the proposed farm bill, and will reduce the effectiveness of the program over time if no as of odratio lismadme foe iflratio.

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At the same time, we would prefer that the CCP payments be more closely tied to future crop production, to ensure that the payments be made to actual producers whenever possible. We understand the difficulty of satisfying all of these somewhat conflicting goals, and look forward to working with the committee as the bill progresses through the legislative process to address all of these goals to the extent possible.

We note that the use of the national 12-month season average price in the calculation of payments under the CCP program will necessarily delay payments to producers until after the end of the marketing year. This delay and reduction in income will create a hardship for many producers during the transition to this new program and beyond. We would suggest two recommendations to address this important issue. To the extent that budget resources permit, we recommend that the payments be based on the average prices during the first five months of the marketing year. Secondly, the Secretary should be authorized to make advance CCP payments early in the crop year, similar to the provisions for advance deficiency payments provided under the 1990 farm bill.

**Payment Limits:** While we advocated that a CCP program not be subject to any payment limitation, we are pleased that the Concept Paper recognizes the need for the payment limit for CCP payments to be separate from other payment limits. We remain opposed to payment limits of any kind.

**Related Program Effects:** As we noted in March, many rice producers continue to be concerned regarding the effects that the current PFC payments are having on the rice-farming infrastructure. Because these payments are currently completely decoupled from rice production, some tenant farmers have been faced with situations where landlords make the economic decision to accept the PFC payments, while declining to produce a crop, or even to accept any risk associated with the production of a rice crop.

This is one of several factors that have contributed to the significant decline in rice acreage in Texas since the enactment of the 1996 Farm Bill, from 300,000 acres planted in 1996 to 215,000 acres planted in 2001. Many of these producers are concerned that a CCP payment that is not coupled in some way to production will exacerbate this problem, especially in Texas.

Rice producers believe that any new farm legislation should be carefully constructed to avoid further economic dislocations of this type. We will continue to work with the Committee on possible resolutions to this issue in the weeks and months ahead.

### **Marketing Loan Provisions**

Rice producers strongly support the continuation of the marketing loan and loan deficiency payment (LDP) program. We applaud the Concept Paper's retention of this critical marketing tool for rice producers. We are also pleased that the Concept Paper maintains the loan rate for price at \$6.50 per hundredweight and proposes to retain the authority for the use of generic commodity certificates in connection with the program.

We are concerned that the \$75,000 payment limitation on marketing loan gains and loan deficiency payments is not sufficient to provide producers with sufficient flexibility to market their crop. As evidence of the overly restrictive nature of this limitation, we would direct the

Committee's attention to the fact that Congress has increased this limitation to \$150,000 during each of the last three years. We would encourage the Committee to increase the limitation as producers are concerned that the Government may again accumulate stocks if they forfeit the grain for payment of the loan. Legislation is pending to similarly increase the limitation for this crop year for what will be the fourth year in a row.

In order to maximize producers' marketing flexibility and to minimize the need for Congress to address this issue repeatedly on an ad hoc basis, we request that the Committee consider either repealing the marketing loan gain/LDP payment limit, or increasing the limit consistent with the limit enacted for each of the last three years.

## **Conservation**

Rice producers support maintaining existing funding for our existing conservation programs, including the Conservation Reserve Program, Wetlands Reserve Program, Wildlife Habitat Incentive Program, Environmental Quality Incentive Program, and conservation technical assistance. However, we believe that new conservation funding should be targeted towards working land that is in production or considered in production. In addition we support funding and maintenance costs not only for science-based practices already being implemented that enhance the environment, but also additional practices that may be encouraged through higher incentive payments.

We believe that all conservation payment programs need to be voluntary and incentive-driven, and that compensation for conservation practices should in no way be a substitute for existing or future farm safety net programs. As such, with the exception of an increase in biomass pilot acreage we do not support the increase in funding to fund increased enrollments in CRP proposed in the Concept Paper. We would strongly prefer that such increased conservation funding be targeted to production-based, incentive-driven payments to producers, rather than to increased land-idling or retirement payments. We also believe that there should be no payment limitations on any conservation program payments.

## **Trade**

Rice producers, millers, and the entire industry are dependent on exports for more than 40 percent of our annual marketings. As such, we strongly support programs to enhance the ability of the producers and the industry to enhance rice exports.

We applaud the Concept Paper's proposed increase in funding for the Market Access Program to \$180 million annually. We also support the reauthorization of the Foreign Market Development (Cooperator) Program as well as an increase in the funding for the Cooperator program to \$43.25 million each year.

Finally, we would like to strongly urge Congress to approve Trade Promotion Authority for the President. Our industry's economic health absolutely depends on access to export markets. Increased export market access will only come from further multilateral trade negotiations and the United States will be successful in those negotiations only if the President has Trade Promotion Authority.

## **Conclusion**

In conclusion, the U.S. rice industry joins in complimenting your Committee and the Committee staff for the hard work that went into producing the Concept Paper. We believe that the Concept Paper represents a positive step toward developing a new farm bill that will provide rice producers a more effective income safety net. We thank you for the opportunity to testify and look forward to working with you to improve this product as it moves through the legislative process. Mr. Denison and I will be pleased to answer any questions that you may have in this regard.